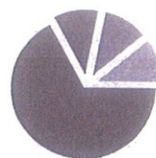


FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS



HINTON BURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

CITY OF MESQUITE, NEVADA

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CITY OF MESQUITE, NEVADA

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December 19, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of Mesquite, Nevada:

The comprehensive annual financial report for the City of Mesquite for the fiscal year ended June 30, 2006 is hereby submitted. State law requires that local governments provide for an annual audit by independent certified public accountants of its financial statements in accordance with generally accepted auditing standards.

This report consists of management's representations concerning the finances of the City of Mesquite. Consequently, management assumes fully responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mesquite has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mesquite's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Mesquite's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Mesquite's financial statements have been audited by Hinton, Burdick, Hall & Spilker, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mesquite for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mesquite's financial statements for fiscal year ended June 30,

2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Mesquite was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. The Single Audit reports are available and have been issued in a separate report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mesquite's MD&A can be found immediately following the report of the independent auditors.

GASB 34 Financial Reporting

In addition to the fund-by-fund financial information currently presented in the City's financial statements, government-wide financial statements are also included. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including current year additions to infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the GASB 34 reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements.

Profile of the Government

The City of Mesquite operates as a general law city under Nevada Revised Statute, Chapter 26 and is located in the northeastern part of Clark County, Nevada which ranks as the nation's top growth area. The City was incorporated on May 24, 1984 with 1,108 residents. According to the

2000 census, Mesquite had a population of 9,389 while, according to unofficial state demographer estimates as of July 1, 2005, has a current population of 16,423 residents.

The City operates under a council-manager form of government, with elective offices consisting of the mayor and five city councilmen. The Mayor and Council act as the policy-making body of the City, directing such actions as are required to provide for the general welfare of the community. The mayor and all councilmen are elected at-large on a non-partisan basis for staggered, four-year terms. Elections for city councilmen are held every other year with either three City Council seats or two City Council seats and the position of mayor being voted upon in any one election year. City council meetings are presided over by the mayor, or by the mayor pro tempore (a councilman elected to that position by the City Council) in the absence of the mayor.

The City Manager, appointed by the Council, serves as the Chief Administrative Officer and is responsible to the Mayor and Council for the proper administration of all City affairs and the implementation of all policies established by Council. The Mayor and City Council appoint the City Attorney, City Clerk/Treasurer, Municipal Court Judge, and Chief of Police. The Department Directors and employees are appointed and supervised by the City Manager.

The City of Mesquite maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget, as augmented, that was approved by the City Council and the State of Nevada's Department of Taxation. By April 15, the City Manager submits a tentative budget for the ensuing fiscal year to the City Council, the Nevada Department of Taxation and the Citizens via public hearings. The Nevada Department of Taxation notifies the City Council whether or not the budget is in compliance with the law and appropriate regulations. Public hearings, at which all changes made to the tentative budget are indicated, are conducted on the third Tuesday in May. The City Council adopts the budget prior to June 1 and submits it to the Department of Taxation for final approval.

All revisions to the adopted budget are made a matter of public record by actions of the City Council. Per Nevada law, the City Manager is authorized to transfer budgeted amounts within functions (General Fund) or funds if the City Council is notified at the next regular meeting and the action is noted in the official minutes. Revisions which affect the total fund appropriations or transfers between funds are accomplished through formal City Council approval.

Various supplemental appropriations were approved for the year to reflect necessary changes in spending and the corresponding additional resources available.

Activities of the general fund, special revenue funds, debt service funds, capital project funds and the enterprise fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is statutorily required to be exercised at the function level. Appropriations lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget augmentation.

City of Mesquite Profile

The City of Mesquite is a dynamic community of 16,423 citizens of diverse cultural backgrounds and lies on the north bank of the Virgin River at the Nevada / Arizona border, providing a full range of services including police and fire protection; Municipal Court; detention facilities; sewer and sanitation services; cemetery; museum; construction and maintenance of boulevards, streets and other public infrastructure; recreational facilities and activities; senior services; and cultural events.

The City encompasses 32 square miles of land along Interstate Highway 15. The City maintains approximately 57 of the 90 miles of streets within our borders. Additionally, the City has created 13 parks on approximately 53 acres throughout the community. Other recreational opportunities include a recreation center that includes a full-sized outdoor pool and an indoor pool, a senior center, history museum, fine arts center and a bike and pedestrian trail system that will include more than 15 miles of pathways in and around the City including along the banks of the Virgin River.. The Clark County School District provides 4 schools for 2,000+ students at the kindergarten through 12th grade levels within the Virgin Valley and the College of Southern Nevada offers courses to residents. Public fixed route transportation is provided by Silver Rider (Southern Nevada Transit Coalition), which also provides para-transit services for handicapped riders. The City of Mesquite has been recognized as one of the fastest growing small cities in America and prides itself on its community focus and quality of life.

Economic Condition and Outlook

Mesquite is home to citizens who enjoy the small town atmosphere as well as close proximity to Las Vegas. The state and local economy continue to lead the nation in many indicators of economic growth and vitality. Key economic sectors of tourism, hospitality and construction continue to be significant factors in the local economic landscape. The continued strength of the local economy has facilitated the creation of new employment opportunities within the city. The City of Mesquite continues to maintain a strong financial position and provide excellent service to residents through conservative fiscal management and a sensitivity to the cost of providing those necessary and desired services.

The City of Mesquite continues to experience robust increases in population, economic expansion and diversification as it attracts new businesses to the community such as Do-It-Best Corporation, Wal-Mart Super Center, Redd Hills 8-Plex Cinema, Mesquite Ford-Lincoln-Mercury Auto Dealership, and Buffalo's Southwest Café as new commercial additions. Construction related activity also adds to the vibrancy of the City's economic surge as progress continues with plans for developing more than 2,000 acres to meet the demand for residential housing needs as well as a new regional park for staging the annual Re/Max World Long Drive Championships are in various stages of completion that will add to the quality of life for residents and the many visitors that come to enjoy Mesquite's broad appeal of a sun drenched climate and resorts which currently include Casa Blanca, Eureka, Oasis and Virgin River Hotel/Casino's...all of which offer gaming, golf and spa services.

Nevada State Consolidated Tax distributed to cities has been, and is expected to continue to be, the highest revenue generator for the City. Property and room taxes are the City's second largest revenue source. Assessed valuation for existing properties as well as new residential and commercial growth in the City of Mesquite continues to increase which will yield growth in property tax revenues. Mesquite enjoys the second lowest City controlled property tax rate of \$.5520 per \$100 in assessed valuation among the five municipal Clark County entities and one of the lowest within the state.

Cash Management Policies and Practices

Cash resources of the individual funds are combined to form a pool of investable cash. Temporarily idle cash is invested in U.S. Treasury and Agency obligations and the State Treasurer's investment pool to earn yield current market rates of interest from securities sanctioned by City investment policies and state statutes.

The City's Investment Policy is designed to maximize yield of cash resources by investing and managing those funds in a wise and prudent manner. Criteria for consideration and selecting investments in prioritized order are: (1) safety, (2) liquidity, and (3) yield. The basic premise underlying the City's Investment Policy is to ensure that money is safe, readily available, and earning the highest and best return. Accordingly, deposits were either insured by Federal Depository Insurance Corporation, the Security Investor's Protection Corporation or collateralized by the financial institution with which the City conducts normal banking and financial transactions.

Risk Management

The City of Mesquite is a member of the Nevada Public Agency Insurance Pool (NPAIP) and Public Agency Compensation Trust (PACT), a consortium of eighty-five governmental entities in Nevada who have joined together to achieve savings on insurance premiums through volume purchasing and risk management consulting. Each member pays for its proportionate share of its individually contracted insurance coverage and consulting services. Insurance activities are financed by charges to member agencies and no long-term debt has been incurred.

At June 30, 2006, NPAIP purchases excess insurance through commercial insurance companies for claims in excess of \$200,000 for property risks and \$500,000 for casualty insurance risk for each insured event.

The City is insured for worker's compensation and employer's liability exposures through the Public Agency Compensation Trust. Employee health benefits are provided by the City through participation in the Teamsters Security Fund for Southern Nevada.

All claims are investigated, valued, reserved, defended, and/or settled in accordance with generally accepted insurance industry practices. There are no known existing claims that would exceed the City's applicable coverages.

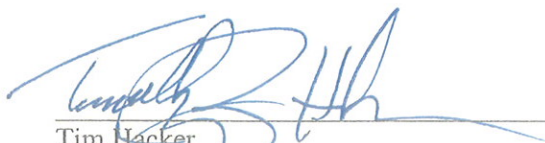
Pension and other post employment benefits.

The employees of the City are covered by the State of Nevada Public Employees' Retirement System. The City does not exercise any control over the plan and is not liable for any of the plan's unfunded obligations. The Plan was established on July 1, 1948 by the Nevada Legislature and is governed by the Public Employees' Retirement Board, whose seven members are appointed by the Governor.

The City contributes to the Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. The City participates in two separate categories for its Miscellaneous and Public Safety employees. Member contribution rates are established by NRS 286.465. As a matter of policy, the City fully funds each year's annual contribution.

We express appreciation to the Finance Department staff and others who assisted and contributed to the preparation of this report, as well as the contributions of the staff of HintonBurdick CPAs & Advisors, the City's independent auditors.

Respectfully submitted,


Tim Hacker
City Manager
David R. Empey
Finance Division Manager

CITY OF MESQUITE
Fiscal Year 2005-2006
Directory of Officials and Advisory Bodies

City Council

Term Expires

Bill Nicholes, Mayor	June 30, 2007
David Bennett, Council Member	June 30, 2007
Donna Fairchild, Council Member	June 30, 2007
Susan M. Holecheck, Council Member	June 30, 2009
Robert "Bubba" Smith, Council Member	June 30, 2009
Bill Wells, Council Member	June 30, 2009

Committees and Commissions

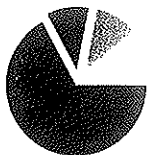
Airport Advisory Task Force
Architectural Review Committee
Citizens Transportation Technical Committee
Economic Development Commission
Master Plan Update Committee
Veterans Commission
Virgin Valley Historical Society

***Appointed Officials and Department Heads**

Tim Hacker	*City Manager
Christi M.Thunder	*City Attorney
Carol Woods	*City Clerk / Treasurer
Ron Dodd	*Municipal Court Judge
Douglas Law	*Chief of Police
Allen Bell	City Engineer & Economic Development Director
David R. Empey	Finance Division Manager
Derek Hughes	Fire Chief
Catherine J. Lorbeer	Director of Planning, Zoning and Redevelopment
Leonard Morrow	Human Resources Director/Public Information
Kurt Sawyer	Director of Building and Capital Projects
Bill Tanner	Director of Public Works

FINANCIAL SECTION

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HINTON BURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
City Council
Mesquite, Nevada

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesquite, Nevada, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Mesquite's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

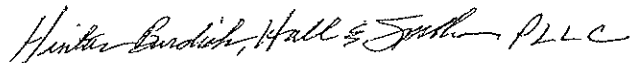
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Mesquite as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2006, on our consideration of the City of Mesquite's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The combining and individual fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Mesquite, Nevada. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory sections of this report and therefore express no opinion thereon.

A handwritten signature in cursive script that reads "Hinton, Burdick, Hall & Spilker, P.L.L.C.".

HINTON, BURDICK, HALL, & SPILKER, P.L.L.C.
December 7, 2006

CITY OF MESQUITE, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mesquite (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements and the transmittal letter beginning on page i.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$123.9 million at the close of the fiscal year.
- Total net assets increased by \$36.2 million.
- Land sales of \$14.5 million, taxes and other governmental revenues exceeded governmental expenses by \$32.3 million.
- The City received a \$101,862 grant in the Sewer Fund.
- Total revenues from all sources were \$57.8 million and the total cost of all City programs was \$21.6 million
- The General Fund revenues exceeded expenditures, excluding transfers, by \$6.5 million.
- Actual resources received in the General Fund exceeded the final budget by \$1.4 million while actual expenditures were \$1.9 million less than the final budget.
- At the end of the current fiscal year, unreserved and designated fund balances for the General Fund were \$3.8 and \$1.4 million respectively, or 37.6% of total General Fund expenditures, excluding transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial

factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, judicial, public works, health and sanitation, welfare, culture and recreation, community support and interest on long-term debt. Consolidated tax, property taxes, room taxes, investment earnings and other taxes finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers to cover all of most of the cost of the services provided. The City's Sanitation system is reported in this category.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two kinds of funds, *governmental* and *proprietary*, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the *modified accrual* accounting method, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation included with the Basic Financial Statements and in footnote 2.
- *Proprietary funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, donations for a specific purpose and others. These fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$123.8 million as of June 30, 2006 as shown in the following condensed statement of net assets. The City has chosen to account for its sanitation operations in an enterprise fund which is shown as Business Activities.

City of Mesquite, Nevada Statement of Net Assets

	Governmental activities		Business-type activities	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Current and other assets	\$ 49,178,253	\$ 26,825,881	\$ 6,128,137	\$ 5,895,020
Capital assets	76,973,160	58,679,956	23,292,693	20,351,622
Total assets	126,151,413	85,505,837	29,420,830	26,246,642
Long-term liabilities outstanding	15,932,048	11,517,669	5,245,013	5,884,848
Other liabilities	9,754,662	5,835,352	777,070	886,231
Total liabilities	25,686,710	17,353,021	6,022,083	6,771,079
Net assets:				
Invested in capital assets, net of related debt	60,287,163	46,072,500	17,468,514	13,907,370
Restricted	9,222,160	9,154,200	60,669	58,095
Unrestricted	30,955,380	12,926,116	5,869,564	5,510,098
Total net assets	<u>\$ 100,464,703</u>	<u>\$ 68,152,816</u>	<u>\$ 23,398,747</u>	<u>\$ 19,475,563</u>

Governmental Activities

The cost of all Governmental activities this year was \$19,569,198. As shown on the statement of Changes in Net Assets on the following page, \$7,840,506 of this cost was paid for by those who directly benefited from the programs; \$12,438,438 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$20,278,944. General taxes, land sales and investment earnings totaled \$31,602,141.

The City's programs include: General Government, Public Safety, Judicial, Public Works, Health and Sanitation, Welfare, Culture and Recreation and Community Support and Development. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

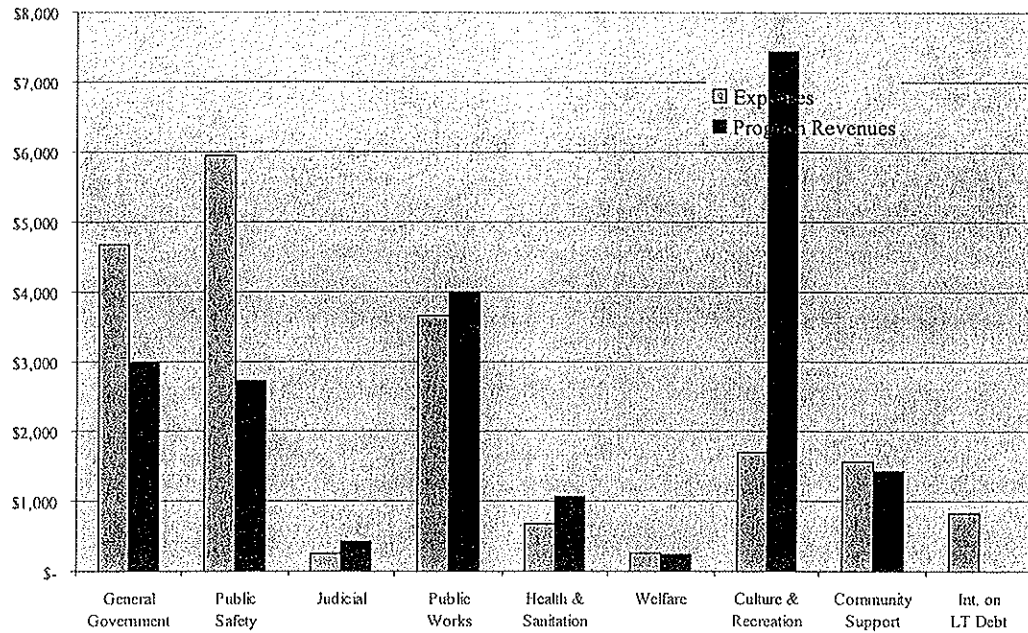
City of Mesquite, Nevada
Changes in Net Assets

	Governmental activities		Business-type activities	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Revenues:				
Program revenues:				
Charges for services	\$ 7,840,506	\$ 6,599,607	\$ 1,539,784	\$ 1,452,150
Operating grants and contributions	1,793,271	1,718,610	-	-
Capital grants and contributions	10,645,167	2,958,780	3,782,053	1,578,889
General revenues:				
State consolidated taxes	8,398,243	7,622,465	-	-
Other taxes	7,608,107	5,735,709	404,552	370,683
Gain on sale of Capital Assets	14,507,820	6,180,768	-	-
Other	1,087,971	538,628	186,378	138,771
Total revenues	<u>51,881,085</u>	<u>31,354,567</u>	<u>5,912,767</u>	<u>3,540,493</u>
Expenses:				
General government	4,670,631	6,060,430	-	-
Public safety	5,948,774	6,261,374	-	-
Judicial	254,759	237,559	-	-
Public works	3,660,315	2,872,512	-	-
Health and sanitation	673,756	749,825	-	-
Welfare	265,063	282,051	-	-
Culture and recreation	1,701,659	1,699,400	-	-
Community support	1,565,506	1,252,114	-	-
Interest on long-term debt	828,735	447,038	-	-
Sewer	-	-	1,989,583	1,990,514
Total expenses	<u>19,569,198</u>	<u>19,862,303</u>	<u>1,989,583</u>	<u>1,990,514</u>
Increase in net assets	32,311,887	11,492,264	3,923,184	1,549,979
Net assets, beginning	68,152,816	56,336,348	19,475,563	17,925,584
Prior period adjustment	-	324,204	-	-
Net assets, ending	<u>\$ 100,464,703</u>	<u>\$ 68,152,816</u>	<u>\$ 23,398,747</u>	<u>\$ 19,475,563</u>

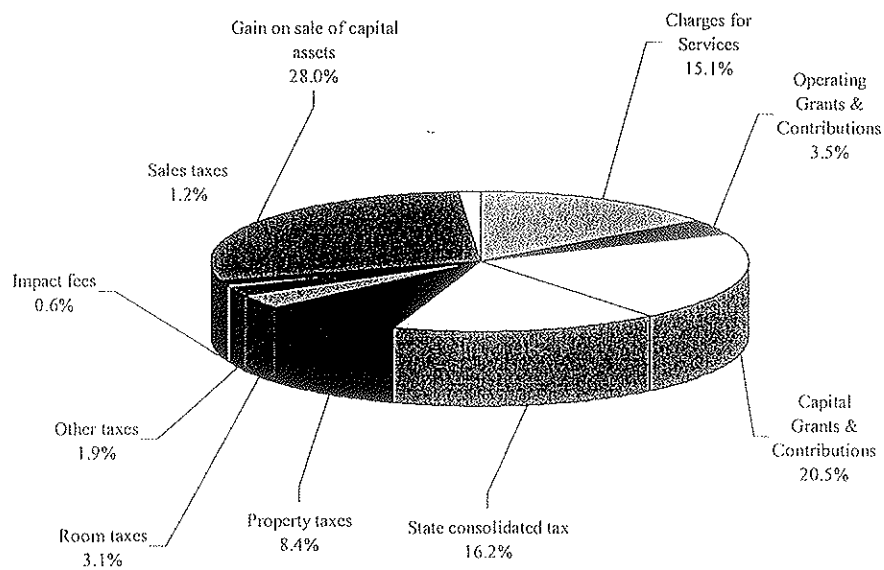
Total resources available during the year to finance governmental operations were \$120 million consisting of Net assets at July 1, 2006 of \$68.1 million, program revenues of \$20.3 million and General Revenues of \$31.6 million. Total Governmental Activities during the year were \$19.6 million; thus Governmental Net Assets were increased by \$32.3 million to \$100.4 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



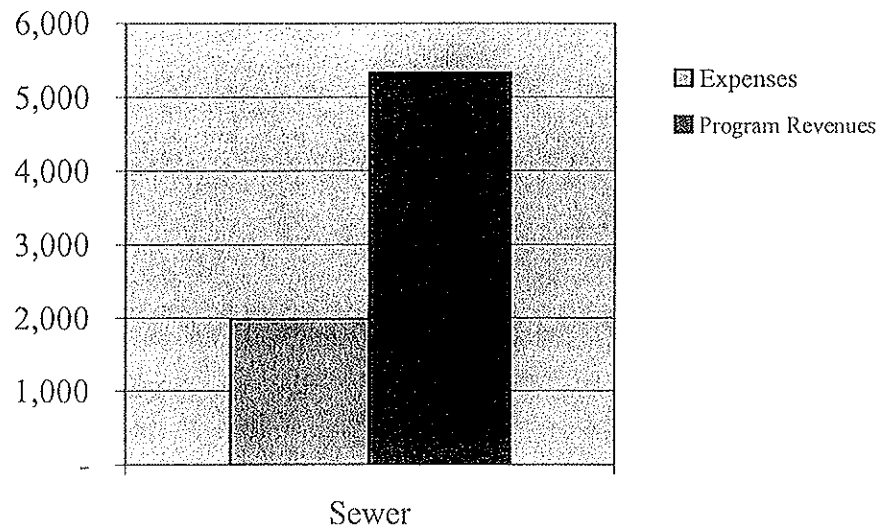
Revenue By Source - Governmental Activities



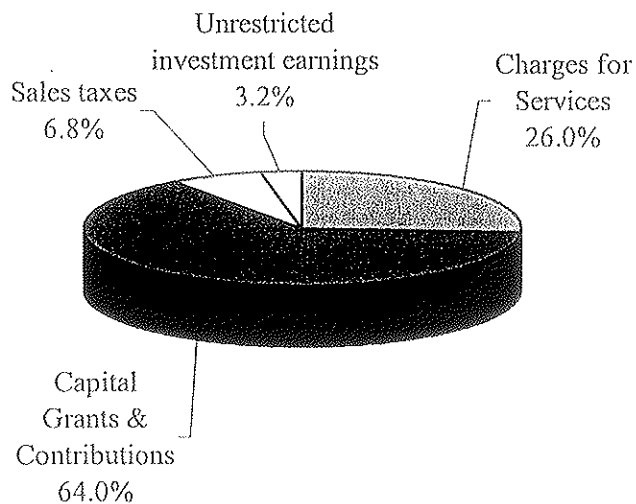
Business Type Activities

Net assets of the Business Type activities at June 30, 2006, as reflected in the Statement of Net Assets were \$23.4 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.0 million. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$1.5 million and \$3.8 million was subsidized by capital grants and contributions. Intergovernmental revenue totaled \$404,552 and other revenue totaled \$186,378; thus, Net Assets increased by \$3.9 million.

Expenses and Program Revenues - Business- type Activities
(in Thousands)



Revenue By Source - Business-type Activities



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$1.9 million greater than actual expenditures. The budget to actual variance in appropriations was principally due to delivery of the FY2006 budgeted goods and services in the current year by the General Government and Public Works departments. Actual revenues compared favorably to the final budget resulting in a \$1.4 million excess.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2006, net capital assets of the government activities totaled \$76.9 million and the net capital assets of the business-type activities totaled \$23.3 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

The City's five year Capital Improvement Plan projects spending of approximately \$146 million through fiscal year 2007-2011. Funding will come from current fund balances, grants, projected revenue, intergovernmental revenue, debt issuance and private participation over the next five years. The most significant projects include construction of new roadways, freeway overpass and interchanges, water detention basins, sewer treatment plant, land acquisition and business park development. Also projected for continued development are the new Airport, Regional Park and Municipal Golf Course.

Debt

At year-end, the City had \$17.1 million in governmental type debt, and \$5.9 million in proprietary debt. The debt is a liability of the government and amounts to \$1,400 per capita. During the current fiscal year, the City issued \$5.5 million in SID Bonds. The net increase in the City's total debt was \$3.9 million. (See note 7 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2006/2007, the City Council and management anticipated General Fund revenue increases of \$2.692 million attributed to consolidated taxes, property taxes and licenses/permits while overall budgeted operating expenditures (net of fund transfers) increased \$2.748 million over fiscal year 2005/2006. Of this increase, various Public Safety and Public Works departments were appropriated increases of \$2.491 million. The City's labor contract expires on June 30, 2006 and the City's final year of the current labor contract becomes effective July 1, 2006 which provides for merit pay adjustments. The CIP budget is comparable to fiscal year 2005/2006, with the largest on-going project appropriation with the Army Corps of Engineers Water Re-use Project at \$8.025 million. The City currently enjoys a robust economy from increased tourism and continued residential development to accommodate an estimated population growth of 12-15%.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at the City of Mesquite, 10 East Mesquite Boulevard, Mesquite, Nevada 89027 or visit us online at <http://www.ci.mesquite.nv.us>

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BASIC FINANCIAL STATEMENTS

CITY OF MESQUITE, NEVADA
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,805,448	\$ 5,883,466	\$ 20,688,914
Receivables (net of allowance)	27,908,051	184,002	28,092,053
Inventories and prepaids	106,505	-	106,505
Deferred Charges	315,318	-	315,318
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	6,042,931	60,669	6,103,600
Capital assets (net of accumulated depreciation):			
Land	7,867,248	200,056	8,067,304
Buildings and improvements	27,672,931	-	27,672,931
Treatment facilities and improvements	-	21,957,180	21,957,180
Machinery, equipment and vehicles	3,435,861	331,677	3,767,538
Storm drains and inlets	2,426,797	-	2,426,797
Streets and sidewalks	12,794,824	-	12,794,824
Construction in progress	22,775,499	803,780	23,579,279
Total assets	<u>126,151,413</u>	<u>29,420,830</u>	<u>155,572,243</u>
Liabilities			
Accounts payable and other current liabilities	2,715,733	137,235	2,852,968
Deferred revenue	5,661,558	-	5,661,558
Interest payable	197,470	-	197,470
Noncurrent liabilities:			
Due within one year	1,179,901	639,835	1,819,736
Due in more than one year	15,932,048	5,245,013	21,177,061
Total liabilities	<u>25,686,710</u>	<u>6,022,083</u>	<u>31,708,793</u>
Net Assets			
Invested in capital assets, net of related debt	60,287,163	17,468,514	77,755,677
Restricted for:			
Debt service	258,717	60,669	319,386
Capital projects	8,782,843	-	8,782,843
Legal restrictions	180,600	-	180,600
Other purposes	-	-	-
Unrestricted	30,955,380	5,869,564	36,824,944
Total Net Assets	<u>\$ 100,464,703</u>	<u>\$ 23,398,747</u>	<u>\$ 123,863,450</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,670,631	\$ 2,396,010	\$ 367,955	\$ 205,160	\$ (1,701,506)	\$ -	\$ (1,701,506)
Public safety	5,948,774	2,273,083	401,869	47,250	(3,226,572)	-	(3,226,572)
Judicial	254,759	421,108	-	-	166,349	-	166,349
Public works	3,660,315	1,182,840	-	2,819,974	342,499	-	342,499
Health and sanitation	673,756	1,068,430	-	-	394,674	-	394,674
Welfare	265,063	83,781	147,938	-	(33,344)	-	(33,344)
Culture and recreation	1,701,659	415,254	35,576	6,986,966	5,736,137	-	5,736,137
Community support and development	1,565,506	-	839,933	585,817	(139,756)	-	(139,756)
Interest on long-term debt	828,735	-	-	-	(828,735)	-	(828,735)
Total governmental activities	19,569,198	7,840,506	1,793,271	10,645,167	709,746	-	709,746
Business-type activities:							
Sewer	1,989,583	1,539,784	-	3,782,053	-	3,332,254	3,332,254
Total business-type activities	1,989,583	1,539,784	-	3,782,053	-	3,332,254	3,332,254
General Revenues:							
Taxes:							
					8,398,243	-	8,398,243
					4,375,061	-	4,375,061
					1,611,519	-	1,611,519
					1,009,425	-	1,009,425
					337,071	-	337,071
					612,102	404,552	1,016,654
					14,507,820	-	14,507,820
					750,900	186,378	937,278
					31,602,141	590,930	32,193,071
					32,311,887	3,923,184	36,235,071
					68,152,816	19,475,563	87,628,379
					\$ 100,464,703	\$ 23,398,747	\$ 123,863,450

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Debt Service Fund	Capital Projects	
			General Capital Projects Fund	Redevelopment District Fund
Assets				
Cash and cash equivalents	\$ 3,902,912	\$ -	\$ 6,249,568	\$ 2,141,378
Receivables:				
Property taxes	-	-	-	26,124
Interest receivable	284,775	-	-	-
Assessments receivable	-	5,370,264	-	-
Other	171,377	-	15,478,788	-
Due from other governments	2,478,098	-	-	2,729,998
Due from other funds	256,559	-	-	-
Inventories and prepaids	88,033	-	-	-
Restricted Cash and cash equivalents	-	1,625,259	-	-
Total assets	\$ 7,181,754	\$ 6,995,523	\$ 21,728,356	\$ 4,897,500
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 502,049	\$ 1,597	\$ 196,895	\$ 681,833
Accrued liabilities	487,273	125,135	-	-
Due to other funds	-	-	-	-
Due to other governments	317,819	-	-	-
Deferred revenue	124,723	5,370,264	15,399,472	-
Total liabilities	1,431,864	5,496,996	15,596,367	681,833
Fund Balances:				
Reserved for:				
Encumbrances	512,709	-	6,131,989	1,537,645
Debt service	82,385	485,262	-	-
Capital outlay	-	1,013,265	-	-
Other	-	-	-	-
Unreserved, designated for future years	1,375,721	-	-	996,105
Unreserved, reported in:				
General fund	3,779,075	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	1,681,917
Total fund balances	5,749,890	1,498,527	6,131,989	4,215,667
Total liabilities and fund balance	\$ 7,181,754	\$ 6,995,523	\$ 21,728,356	\$ 4,897,500

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some liabilities, including bonds payable, capital leases, and interest payable are not due and payable in the current period and therefore are not reported in the funds.

Deferred revenue associated with the sale of land is recorded as income in the government wide statements.

Net assets of governmental activities

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds	
\$ 2,511,590	\$ 14,805,448	
-	26,124	
-	284,775	
-	5,370,264	
86,963	15,737,128	
1,281,664	6,489,760	
1,915	258,474	
18,472	106,505	
4,417,672	6,042,931	
<u>\$ 8,318,276</u>	<u>\$ 49,121,409</u>	
\$ 403,132	\$ 1,785,506	
-	612,408	
258,474	258,474	
-	317,819	
2,000	20,896,459	
<u>663,606</u>	<u>23,870,666</u>	
1,122,433	9,304,776	
-	567,647	
3,785,462	4,798,727	
618,141	618,141	
456,436	2,828,262	
-	3,779,075	
101,913	101,913	
1,570,285	3,252,202	
<u>7,654,670</u>	<u>25,250,743</u>	
<u>\$ 8,318,276</u>		
	76,973,160	
	(16,994,101)	
	15,234,901	
	<u>\$ 100,464,703</u>	

CITY OF MESQUITE, NEVADA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Debt Service Fund	Capital Projects	
			General Capital Projects Fund	Redevelopment District Fund
Revenues				
Taxes	\$ 3,946,235	\$ -	\$ -	\$ 2,040,345
Licenses, permits and fees	2,965,890	-	-	-
Intergovernmental revenue	10,061,604	-	646,525	6,739,218
Charges for services	1,874,282	-	-	-
Fines and forfeitures	398,028	-	-	-
Special Assessments	-	443,690	-	-
Investment earnings	451,121	1,938	-	111,846
Other revenues	491,553	71,215	2,135,948	10,000
Total revenues	<u>20,188,713</u>	<u>516,843</u>	<u>2,782,473</u>	<u>8,901,409</u>
Expenditures				
Current:				
General government	2,743,377	254,797	40,718	-
Public safety	5,555,303	-	-	-
Judicial	231,982	-	-	-
Public works	2,972,530	-	-	-
Health and sanitation	655,360	-	-	-
Welfare	-	-	-	-
Culture and recreation	1,394,760	-	-	-
Community support and development	172,274	-	-	322,322
Contingencies	-	-	-	-
Debt service:				
Principal	-	852,806	-	-
Interest	-	675,586	-	-
Capital outlay	-	4,365,410	4,812,973	9,795,118
Total expenditures	<u>13,725,586</u>	<u>6,148,599</u>	<u>4,853,691</u>	<u>10,117,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,463,127</u>	<u>(5,631,756)</u>	<u>(2,071,218)</u>	<u>(1,216,031)</u>
Other Financing Sources (Uses)				
Debt issued	-	5,500,000	-	-
Transfers in	558,120	1,266,987	4,045,000	500,000
Transfers out	(7,435,293)	(48,407)	-	(931,867)
Total other financing sources and uses	<u>(6,877,173)</u>	<u>6,718,580</u>	<u>4,045,000</u>	<u>(431,867)</u>
Net change in fund balances	<u>(414,046)</u>	<u>1,086,824</u>	<u>1,973,782</u>	<u>(1,647,898)</u>
Fund balances, beginning of year	<u>6,163,936</u>	<u>411,703</u>	<u>4,158,207</u>	<u>5,863,565</u>
Fund balances, end of year	<u>\$ 5,749,890</u>	<u>\$ 1,498,527</u>	<u>\$ 6,131,989</u>	<u>\$ 4,215,667</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,307,540	\$ 7,294,120
337,071	3,302,961
3,550,766	20,998,113
769,841	2,644,123
4,147	402,175
-	443,690
98,932	663,837
10,924	2,719,640
<u>6,079,221</u>	<u>38,468,659</u>
457,415	3,496,307
42,175	5,597,478
1,770	233,752
-	2,972,530
-	655,360
263,272	263,272
141,639	1,536,399
1,016,361	1,510,957
-	-
216,000	1,068,806
43,707	719,293
1,975,699	20,949,200
<u>4,158,038</u>	<u>39,003,354</u>
<u>1,921,183</u>	<u>(534,695)</u>
-	5,500,000
2,064,643	8,434,750
(19,183)	(8,434,750)
<u>2,045,460</u>	<u>5,500,000</u>
3,966,643	4,965,305
3,688,027	20,285,438
<u>\$ 7,654,670</u>	<u>\$ 25,250,743</u>

CITY OF MESQUITE, NEVADA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 4,965,305
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	18,385,443
Governmental funds report the gross proceeds from the sale of fixed assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value.	(92,241)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of land sales sold on installment in the current year net of current year payments.	13,499,505
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,068,406
Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets.	(5,500,000)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	205,545
Accrued Interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities. The adjustment reflects the change in interest payable	(109,442)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(110,634)
Change in net assets of governmental activities	<hr/> <hr/> \$ 32,311,887

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 3,460,000	\$ 3,710,000	\$ 3,946,235	\$ 236,235
Licenses, permits and fees	2,481,000	2,831,000	2,965,890	134,890
Intergovernmental revenue	9,255,000	9,421,673	10,061,604	639,931
Charges for services	1,687,500	1,762,500	1,874,282	111,782
Fines and forfeitures	300,000	335,000	398,028	63,028
Investment earnings	285,000	335,000	451,121	116,121
Other revenues	192,000	392,000	491,553	99,553
Total revenues	17,660,500	18,787,173	20,188,713	1,401,540
Expenditures				
Current:				
General government	2,957,603	2,957,603	2,743,377	214,226
Judicial	245,074	245,074	231,982	13,092
Public safety	5,533,117	5,599,790	5,555,303	44,487
Public works	3,577,607	4,037,607	2,972,530	1,065,077
Health and sanitation	769,743	769,743	655,360	114,383
Culture and recreation	1,435,646	1,535,646	1,394,760	140,886
Community support and development	247,759	247,759	172,274	75,485
Contingencies	250,000	250,000	-	250,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	15,016,549	15,643,222	13,725,586	1,917,636
Excess (deficiency) of revenues over (under) expenditures	2,643,951	3,143,951	6,463,127	3,319,176
Other Financing Sources (Uses)				
Bond proceeds	-	-	-	-
Transfers in	511,530	511,530	558,120	46,590
Transfers out	(7,046,368)	(7,546,368)	(7,435,293)	111,075
Total other financing sources and uses	(6,534,838)	(7,034,838)	(6,877,173)	157,665
Net change in fund balance	(3,890,887)	(3,890,887)	(414,046)	3,476,841
Fund balances, beginning of year	6,163,936	6,163,936	6,163,936	-
Fund balances, end of year	\$ 2,273,049	\$ 2,273,049	\$ 5,749,890	\$ 3,476,841

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
Statement of Net Assets
Proprietary Fund
June 30, 2006

	<u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,883,466
Receivables, net of allowance	-
Due from other governments	184,002
Total current assets	<u>6,067,468</u>
Noncurrent assets:	
Restricted cash and cash equivalents	60,669
Capital assets:	
Land and easements	200,056
Treatment facilities and improvements	26,961,739
Machinery, equipment and vehicles	758,251
Construction-in-progress	803,780
Less accumulated depreciation	<u>(5,431,133)</u>
Total noncurrent assets	<u>23,353,362</u>
Total assets	<u>29,420,830</u>
Liabilities	
Current liabilities:	
Accounts payable	64,442
Accrued liabilities	72,793
Due to other governments	-
Current portion of noncurrent liabilities	639,835
Total current liabilities	<u>777,070</u>
Noncurrent liabilities:	
Bonds payable	5,884,848
Less current portion of noncurrent liabilities	<u>(639,835)</u>
Total noncurrent liabilities	<u>5,245,013</u>
Total liabilities	<u>6,022,083</u>
Net Assets	
Invested in capital assets, net of related debt	17,468,514
Restricted for debt service	60,669
Unrestricted	5,869,564
Total net assets	<u>\$ 23,398,747</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Sewer Fund
Operating revenues	
Service fees	\$ 1,424,475
Other revenues	115,309
Total operating revenues	<u>1,539,784</u>
Operating expenses	
Salaries	406,899
Employee benefits	154,446
Service, supplies and other	572,524
Capital outlay	4,316
Depreciation	625,771
Total operating expenses	<u>1,763,956</u>
Operating income (loss)	<u>(224,172)</u>
Nonoperating revenues (expenses)	
Connection fees	1,218,458
Interest income	186,378
Sales tax revenue	404,552
Grant revenue	101,862
Loss on disposal of fixed assets	-
Interest expense	(225,627)
Total nonoperating revenues (expenses)	<u>1,685,623</u>
Income (loss) before contributions and transfers	1,461,451
Capital contributions	<u>2,461,733</u>
Change in net assets	3,923,184
Total net assets, beginning of year	<u>19,475,563</u>
Total net assets, end of year	<u><u>\$ 23,398,747</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	<u>Sewer Fund</u>
Cash Flows From Operating Activities	
Cash received from customers, service fees	\$ 1,526,506
Cash received from customers, capacity fees and other	115,309
Cash paid to suppliers	(625,456)
Cash paid to employees	(562,353)
Net cash flows from operating activities	<u>454,006</u>
Cash Flows From Capital and Related Financing Activities:	
Sales taxes	404,552
Grant revenue	101,862
Principal payments on bonds	(617,499)
Interest paid	(225,627)
Purchase of fixed assets	(1,105,108)
Connection fees	1,218,458
Net cash flows from capital and related financing activities	<u>(223,362)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>186,378</u>
Net change in cash and cash equivalents	<u>417,022</u>
Cash and cash equivalents, beginning of year	<u>5,527,113</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,944,135</u></u>
Reconciliation of operating income to net cash flows from operating activities:	
Net operating income (loss)	\$ (224,172)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation/amortization	625,771
Changes in operating assets and liabilities:	
(Increase) Decrease in receivables	102,031
Increase (Decrease) in accounts payable	(48,616)
Increase (Decrease) in accrued liabilities	(1,008)
Net cash flows from operating activities	<u><u>\$ 454,006</u></u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets from developers	\$ 2,461,733

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2006

	Trust & Agency Fund
Assets	
Current assets:	
Restricted cash and cash equivalents	\$ 133,803
Total Assets	<u>133,803</u>
 Liabilities	
Current liabilities:	
Contractor deposit	108,705
Armored car deposit	363
Veterans memorial deposits	1,069
Sign permits	2,000
Other	843
Hanger lease	4,949
Narcotics task force	600
Asset forfeiture task force	2,080
Sanitation cash bond deposit	3,463
Inmate commissary fund	8,731
Veterans day parade	1,000
Total liabilities	<u>133,803</u>
 Net Assets	
Total net assets	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies

General

The financial statements of the City of Mesquite, Nevada have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Debt service funds** are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

The **General Capital Projects Fund** accounts for the resources accumulated and payments made for construction and expansion of any City projects not accounted for in any other capital projects fund.

The **Redevelopment District Fund** is used to account for the resources accumulated and payments made for costs incurred on City redevelopment projects.

The City reports the following major proprietary fund:

The **Sewer Utility Fund** accounts for the activities related to the City's sewer treatment operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by the Sewer Fund for the providing of administrative and billings services for that fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services.

Operating expenses for the Sewer Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted assets are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U. S. Government and other investments as allowed by Nevada State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." In the City Sewer fund, billings are done in advance on a quarterly basis. The City records sewer revenues on a monthly basis as the revenue is earned. An allowance for uncollectible accounts is deemed immaterial and has not been recorded.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Treatment facilities and improvements	40 years
Machinery and equipment	7 to 10 years
Storm drains and inlets	40 years
Streets and sidewalks	20 years
Signs	40 years

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for the Sewer Fund consist principally of materials used in the repair of the collection and treatment system and are deemed immaterial and thus, not recorded.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds Payable	\$ 15,986,997
Add: Issuance premium	77,408
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(315,318)
Compensated absences	1,047,544
Accrued interest payable	<u>197,470</u>
Net adjustment to decrease fund balance -- total governmental funds to arrive at net assets of governmental activities	<u><u>\$ 16,994,101</u></u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 21,330,422
Depreciation expense	<u>(2,944,979)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 18,385,443</u></u>

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Another element of the reconciliation states governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Amortization of debt issue costs	\$ (18,108)
Current year debt issue costs	218,493
Amortization of premium on GO Bonds	<u>5,160</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 205,545</u>

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The City uses the following procedures to establish, modify and control the budgetary data presented in the financial statements. Prior to April 15, the City submits to the Nevada State Department of Taxation, the tentative budget for the next fiscal year, commencing on July 1. The budget, as submitted, contains the proposed expenditures and means of financing them. The Nevada State Department of Taxation notifies the City of its acceptance of the budget. Public hearings are conducted on the third Tuesday in May. After all changes have been noted and hearings closed, the City Council adopts the budget on or before June 1.

The City Budget Officer is authorized to transfer budgeted amounts within functions or funds, but any other transfer must be approved by the City Council. Increases to a fund's budget (augmentations), other than by transfers, are accomplished through formal Council action. Statutory regulations require budget control to be exercised at the function level within a fund or at the fund level. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Enterprise Funds and Capital Projects Funds.

The governmental fund budgets are prepared using the modified accrual basis of accounting. All unencumbered annual appropriations lapse at fiscal year end in governmental funds. Budgets for the proprietary fund types are prepared using the accrual basis of accounting. All annual appropriations lapse at fiscal year end in proprietary funds.

During the current fiscal year there were amendments and/or augmentations made to the budget.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 3. Stewardship, Compliance, and Accountability, Continued

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the City. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Property Tax Calendar

Taxes on real property are levied on July 1st of each year and are due on the third Monday in July. They can be paid in quarterly installments on or before the third Monday in July, first Monday in October, January, and March. In the event of nonpayment, the County Treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties and costs, together with interest at the rate of 10 percent per year from the date the taxes were due until paid. If delinquent taxes are not paid within the two year redemption period, the County Treasurer obtains a deed to the property free of all encumbrances. Upon receipt of a deed, the County Treasurer may sell the property to satisfy the tax lien.

Article X, Section 2, of the Constitution of the State of Nevada limits the total taxes levied by all overlapping governmental units within the boundaries of any county (i.e., the county, the county school district, the State, and any other city, town, or special district) to an amount not to exceed \$5 per \$100 of assessed valuation of the property being taxed.

The 1979 Nevada Legislature enacted provisions whereby, commencing July 1, 1979, the combined overlapping tax rate was limited to \$3.64 per \$100 of assessed valuation (as thereafter annually adjusted).

The 1981 Legislature enacted "tax shift" legislation designed to further reduce the level of property taxes collected throughout the State. The additional revenue is being distributed to local governmental units in order to reduce the revenues they would otherwise be required to generate from property taxes for operating purposes.

Delinquent taxes receivable not collected within sixty days after year-end are normally recorded as deferred revenue as they are not available to pay liabilities of the current period. However, delinquent taxes receivable as of year-end were not deemed material and have not been recorded.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 4. Cash and Investments

A reconciliation of cash and investments to the government-wide statement of net assets is as follows:

Cash and cash equivalents	\$ 20,688,914
Restricted cash and cash equivalents	6,103,600
Trust and Agency Fund monies	133,803
	<u>\$ 26,926,317</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2006, the carrying amount of the City's deposits was \$2,010,356 and the bank balance, including cash on hand, was \$2,533,963. At June 30, 2006, none of the City's bank balance of \$2,533,963 was exposed to custodial credit risk because it was uninsured and/or collateralized.

Investments

The Nevada State Treasurer's Office operates the Local Government Pooled Investment Fund (LGPIF). The LGPIF is available for investment of funds administered by any Nevada Public Treasurer.

The LGPIF is not registered with the SEC as an investment company. Deposits in the LGPIF are not insured or otherwise guaranteed by the State of Nevada, and participants share proportionally in any realized gain or losses on investments.

The provisions of State Law (NRS 355.170) govern the investment of public funds.

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 2,485,140	\$ 1,497,600	\$ 987,540	\$ -	\$ -
U.S. Agencies	19,301,767	4,364,720	14,937,047	-	-
Nevada Local Government Pooled Investment Fund	3,128,832	3,128,832	-	-	-
Total Fair Value	<u>\$ 24,915,738</u>	<u>\$ 8,991,152</u>	<u>\$ 15,924,587</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 4. Cash and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (NRS 355.170).

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (NRS 355.170).

At June 30, 2006 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Treasuries	\$ 2,485,140	\$ 2,485,140	\$ -	\$ -	\$ -
U.S. Agencies	19,301,767	19,301,767	-	-	-
Nevada Local Government Pooled Investment Fund	3,128,832	-	-	-	3,128,832
Total Fair Value	<u>\$ 24,915,738</u>	<u>\$ 21,786,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,128,832</u>

NOTE 5. Due from other Governments

The \$2,478,098 due from other governments shown in the General Fund are amounts due from the U.S. Government, State of Nevada, Clark County and other local governmental units for grants and various taxes that are measurable and available per GASB.

The \$2,729,998 and \$1,281,664 due from other governments as shown in the Redevelopment District Fund and Nonmajor funds respectively are amounts due from the U.S. Government and the State of Nevada for grants and other reimbursements that were measurable and available per GASB.

The \$184,002 due from other governments shown in the Sewer Utility Fund are amounts due from the U.S. Government and Southern Nevada Water Authority for a grant and sales tax distributions.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 6. Capital Assets

Governmental capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets, not being depreciated:				
Land	\$ 7,566,239	\$ 393,248	\$ (92,239)	\$ 7,867,248
Construction in progress	5,480,991	18,680,917	(1,386,409)	22,775,499
Total capital assets, not being depreciated:	13,047,230	19,074,165	(1,478,648)	30,642,747
Capital assets, being depreciated:				
Buildings and improvements	31,620,811	1,816,625	-	33,437,436
Equipment	8,382,510	1,038,196	(109,600)	9,311,106
Storm drains and inlets	3,143,842	-	-	3,143,842
Streets and sidewalks	24,281,089	787,845	-	25,068,934
Total capital assets, being depreciated:	67,428,252	3,642,666	(109,600)	70,961,318
Less accumulated depreciation for:				
Buildings and improvements	(4,963,939)	(800,566)	-	(5,764,505)
Equipment	(5,083,605)	(901,240)	109,600	(5,875,245)
Storm drains and inlets	(638,449)	(78,596)	-	(717,045)
Streets and sidewalks	(11,109,533)	(1,164,577)	-	(12,274,110)
Total accumulated depreciation	(21,795,526)	(2,944,979)	109,600	(24,630,905)
Total capital assets, being depreciated, net	45,632,726	697,687	-	46,330,413
Governmental activities capital assets, net	<u>\$ 58,679,956</u>	<u>\$19,771,852</u>	<u>\$ (1,478,648)</u>	<u>\$ 76,973,160</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 1,538,683
Public safety	517,161
Judicial	19,417
Public works	327,746
Health and sanitation	28,299
Culture and recreation	466,649
Community support	47,024
Total depreciation expense - governmental activities	<u>\$ 2,944,979</u>

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 6. Capital Assets, Continued

Business-type capital asset activity for the year ended June 30, 2006 was as follows:

Business Type Activities:	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets not being depreciated:				
Land and land easements	\$ 200,056	\$ -	\$ -	\$ 200,056
Construction in progress	710,034	221,911	(128,165)	803,780
Total capital assets, not being depreciated	910,090	221,911	(128,165)	1,003,836
Capital assets being depreciated:				
Sewer system	12,281,948	1,007,259	-	13,289,207
Utility lines	11,210,799	2,461,733	-	13,672,532
Machinery and equipment	425,763	4,103	-	429,866
Vehicles	328,385	-	-	328,385
Total capital assets, being depreciated	24,246,895	3,473,095	-	27,719,990
Less accumulated depreciation for:				
Sewer system	(3,110,440)	(315,978)	-	(3,426,418)
Utility lines	(1,345,408)	(232,733)	-	(1,578,141)
Machinery and equipment	(236,185)	(46,129)	-	(282,314)
Vehicles	(113,330)	(30,929)	-	(144,259)
Total accumulated depreciation	(4,805,363)	(625,769)	-	(5,431,132)
Total capital assets, being depreciated, net	19,441,532	2,847,326	-	22,288,858
Business-type activities capital assets, net	<u>\$ 20,351,622</u>	<u>\$ 3,069,237</u>	<u>\$ (128,165)</u>	<u>\$ 23,292,694</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Business-Type Activities:	
Sewer	<u>\$ 625,769</u>
Total depreciation expense - business-type activities	<u>\$ 625,769</u>

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 7. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2006.

Governmental activities:

	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006	Current Portion
General Obligation:					
G.O. Bond Series 2005	\$ 3,300,000	\$ -	\$ 366,600	\$ 2,933,400	\$ 337,400
G.O. Bond Series 2002	5,025,000	-	200,000	4,825,000	210,000
City Hall Note	1,402,000	-	258,000	1,144,000	269,000
Medical Facility Note	926,000	-	216,000	710,000	226,000
Add Deferred Amounts:					
For Issuance Premiums	82,568	-	5,160	77,408	-
Accrued Compensated Absences	936,910	110,634	-	1,047,544	-
Total General Obligation	11,672,478	110,634	1,045,760	10,737,352	1,042,400
Revenue Obligation:					
Waste Disposal Bond (Federal)	902,403	-	27,806	874,597	17,501
Special Assessment Debt with Government Commitment:					
SID Bonds, Series 2005	-	5,500,000	-	5,500,000	120,000
Total Governmental activity long-term liabilities	\$ 12,574,881	\$ 5,610,634	\$ 1,073,566	\$ 17,111,949	\$ 1,179,901

Business-type activities:

General Obligation:					
1991 Sewer Bond	\$ 495,948	\$ -	\$ 74,695	\$ 421,253	\$ 77,713
1995 Sewer Bond	4,189,699	-	353,704	3,835,995	366,822
2003 Sewer Bond	1,816,700	-	189,100	1,627,600	195,300
Total business-type activity long-term liabilities	\$ 6,502,347	\$ -	\$ 617,499	\$ 5,884,848	\$ 639,835
Total Long-term Debt	\$ 19,077,228	\$ 5,610,634	\$ 1,691,065	\$ 22,996,797	\$ 1,819,736

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 7. Long-Term Debt, Continued

Bonds and notes payable consist of the following at June 30, 2006:

General Obligation:

General Obligation (Limited Tax) Medium-Term Redevelopment Note Series 2005, due in semiannual principal and interest installments ranging from \$169,750 to \$239,197, bearing interest at 3.6%, maturing April 1, 2015. \$ 2,933,400

General Obligation (Limited Tax) various purpose bonds Series 2002, due in semiannual principal and interest installments ranging from \$10,500 to \$430,500, bearing interest at 4% to 5%, maturing June 1, 2022. 4,825,000

General Obligation (Limited Tax) City Hall Note, due in semiannual principal and interest installments ranging from \$139,133 to \$158,003, bearing interest at 3.6%, maturing February 1, 2010. Original interest rate 4.31%. Reduced the interest rate April 1, 2005. 1,144,000

General Obligation (Limited Tax) Building (Medical Facility) Note, due in semiannual principal and interest installments ranging from \$5,853 to \$253,853, bearing interest at 4.72%, maturing July 1, 2009. 710,000

Revenue Obligation:

Waste Disposal Revenue Bonds (Federal Debt), Series 1994, due in quarterly principal and interest installments of \$18,724, bearing interest at 5.25%, maturing October 1, 2034. 874,597

Special Assesment Debt:

Special Improvement District Bonds, Series 2005, due in semiannual principal and interest installments ranging from \$370,702 to \$458,470, bearing interest at 3.5% to 5.5%, maturing August 1, 2025. 5,500,000

Total Bonds and Notes Payable - Govnermental Activities \$ 15,986,997

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 7. Long-Term Debt, Continued

Sewer General Obligation Bonds

General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues) Series 1991, due in semiannual principal and interest installments of \$46,897, bearing interest at 4%, maturing July 1, 2011. 421,253

General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues) Series 1995, due in semiannual principal and interest installments of \$252,228, bearing interest at 3.675%, maturing July 1, 2015. 3,835,995

General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues) Series 2003, due in semiannual principal and interest installments of \$122,900, bearing interest at 3.2%, maturing November 1, 2013. 1,627,600

Total Bonds and Notes Payable - Business-Type Activities \$ 5,884,848

Total Bonds and Notes Payable \$ 21,871,845

Debt service requirements for bonds and notes payable are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 1,179,901	\$ 715,329	\$ 639,835	\$ 204,247
2008	1,253,138	696,986	662,879	181,204
2009	1,301,026	646,568	686,755	157,326
2010	1,081,266	592,637	711,486	132,582
2011	799,062	551,427	737,095	106,943
2012-2016	4,031,812	2,224,773	2,446,798	185,556
2017-2021	3,484,078	1,378,786	-	-
2022-2026	2,582,967	515,261	-	-
2027-2031	273,747	98,055	-	-
2032-2034	-	20,728	-	-
	<u>\$ 15,986,997</u>	<u>\$ 7,440,550</u>	<u>\$ 5,884,848</u>	<u>\$ 967,858</u>

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 8. Interfund Transactions and Balances

The composition of internal balances as of June 30, 2006, is as follows:

	Due From	
	General Fund	Non-major Governmental
Due To		
General Fund	\$ -	\$ 258,474
General Capital Projects	-	-
Redevelopment District	-	-
Non-major Governmental	1,915	-
Total	<u>\$ 1,915</u>	<u>\$ 258,474</u>

In the year ended June 30, 2006, the government made the following transfers:

	Transfers From				
	General Fund	Redevelopment District	Debt Service	Non-major Governmental	Total
Transfers To					
General Fund	\$ -	\$ -	\$ 48,407	\$ 509,713	\$ 558,120
Debt Service Fund	825,650	441,337	-	-	1,266,987
General Capital Projects	4,045,000	-	-	-	4,045,000
Redevelopment District	500,000	-	-	-	500,000
Non-major Governmental	2,064,643	490,530	-	(490,530)	2,064,643
Total	<u>\$ 7,435,293</u>	<u>\$ 931,867</u>	<u>\$ 48,407</u>	<u>\$ 19,183</u>	<u>\$ 8,434,750</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 9. Equity Classifications, Continued

- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Reservations and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use.

NOTE 10. Defined Benefit Pension Plan

The City of Mesquite (City) is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing multiple-employer program. All full-time employees are covered under the system. In addition, those part-time employees working at least 20 hours per week and more than 120 days are covered, except for those employees who participate in PERS with an employer other than the City. The payroll for employees covered by the system for the year ended June 30, 2006, was \$6,236,942. The City's total payroll was \$6,917,440.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the Plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed at 2.5 percent of average compensation (36 consecutive months of highest compensation) for each accredited year of service prior to retirement with a ceiling of 75 percent of the average compensation. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows retired employees to accept a reduced service retirement allowance payable monthly during their lives and various optional monthly payments to a named beneficiary after their deaths.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 10. Defined Benefit Pension Plan, Continued

Regular members are eligible for retirement at age 65 with 5 years of service, age 60 with 10 years of service, or any age with 30 years of service. Police and firemen are eligible for retirement at age 65 with 5 years of accredited police or fire service, at age 55 with 10 years of accredited police or fire service, at age 50 with 20 years of accredited police or fire service, or at any age with at least 30 years of accredited service. Members who retired on or after July 1, 1977, or are active members whose effective date of membership is before July 1, 1985, and who have 36 years of service are entitled to a benefit of up to 90 percent of their average compensations. When members are eligible for the earlier retirement due to the increased service years, the ceiling limitation on monthly benefit allowances increases from the normal 75 percent to a maximum of 90 percent of average compensation. Regular members and members of the Police and Fireman's Retirement Fund become fully vested as to benefits upon completion of 5 years of service.

Member contribution rates are established by NRS 286.465. That statute, which is tied to the increase in taxable sales within the State each year, provides for yearly increases of up to one percent until such time as the actuarially determined unfunded liability of the Plan is reduced to zero.

The City is enrolled in the Employer-Pay Contribution Plan (EPC). Under EPC, contributions are paid on the employee's behalf by his public employer. EPC contributions are not deposited to the individual member's account and are not available for refund upon termination of employment. The EPC contribution rate, through June 30, 2006, was 20.25 percent for regular members and 28.50 percent for police and firemen. The contribution requirement for the year from the City was \$1,476,132. This amount represents 23.67 percent of covered payroll.

The City's contribution represented less than 1 percent of total contributions required of all participating entities of the system.

A copy of the PERS June 30, 2006, annual financial report may be obtained by writing to the Public Employee's Retirement System of Nevada, 693 W. Nye Lane, Carson City, NV 89703-1599, or by calling (775) 687-4200.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 11. Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. The City does not report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date, since only that portion of the liability that “would normally be liquidated with expendable available financial resources” would be reported as an expenditure in the general fund. The landfill closure and postclosure care liability at June 30, 2006, is \$455,723 which represents the cumulative amount of closure and postclosure costs to date based on the use of the estimated capacity of the landfill. An estimated 22.95% percent of the landfill capacity had been used by June 30, 2006. The remaining estimated cost of closure and postclosure care is 1,985,720. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The City expects to close the landfill in the year 2014.

Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City has passed a resolution which authorizes participation in a landfill financial assurance program established through the Nevada Public Agency Insurance Pool as a mechanism to demonstrate financial responsibility for closure and postclosure care costs. **Because the City has in effect transferred its responsibility for closure and postclosure care costs to another entity through purchase of the insurance policy the above stated liabilities are not reported on the City’s financial statements as per GASB 18.**

NOTE 12. Risk Management

The City is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

For the year ended June 30, 2006, the City participated in the Nevada Public Agency Insurance Pool (NPAIP) for property, general liability, law enforcement, auto, public official errors and omissions, employee crime and dishonesty, and boiler and machinery coverage. For airport aviation coverage, the City purchased commercial insurance. The City participates in the Public Agency Compensation Trust, a pool similar to, and administered by, the NPAIP for workers compensation coverage.

The NPAIP, is a public entity risk pool operating as a common risk management and insurance program for approximately 60 Nevada public entities. The NPAIP is self-sustaining through member premiums, and purchases excess insurance through commercial insurance companies for claims in excess of \$100,000 for property risks and \$150,000 for casualty insurance risk for each insured event. In addition, the NPAIP reinsures its loss fund for \$1,000,000 in the event smaller claims exhaust the fund.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 12. Risk Management, Continued

The NPAIP may make additional assessments to its members if the following conditions are met: losses exceed the excess insurance and reinsurance described above, the loss fund and equity of the pool are both depleted, and the board of directors of the pool authorize a supplemental assessment by a two-thirds vote. Both the loss fund and the equity of the pool currently exceed \$1 million each. Management considers it unlikely that a supplemental assessment will be made.

There have been no significant reductions in coverage from the prior year. Settled claims resulting from these risks have not exceeded the City's coverage, through commercial insurance or pool participation, in any of the past three fiscal years.

NOTE 13. Individual Fund Disclosures

Segment Information

The Sewer Fund accounts for the operation and maintenance of the sewer collection and treatment system. Since the City maintains only one enterprise fund, the segment information is available in the government-wide financial statement.

NOTE 14. Commitments and Contracts

Garbage

The City has a solid waste collection contract with Virgin Valley Disposal, Inc. The contract provides for the collection of residential and commercial solid waste within the City. In connection with the agreement, the City is responsible for the monthly billing, collection, and payment of collections. The City retains a portion of the collections as a franchise fee charged to the contractor. The term of the contract is for 20 years with an option to renew for 20 years, commencing June 4, 2001.

Airport

The City has a contract and lease agreement with Aero West Aviation - Mesquite, Inc. The City leases at no monetary cost, the office/housing facility, the City hangar, and all fueling related equipment, trucks, and storage tanks, for the exclusive use by Aero West for the term of the contract. Aero West is to provide the operation and maintenance of a fixed base aircraft operator to the public. The term of the contract is for a five year period beginning July 1, 1997 with an option to renew by the City for additional five year periods.

CITY OF MESQUITE, NEVADA
Notes to the Financial Statements
June 30, 2006

NOTE 14. Commitments and Contracts, Continued

Medical Facility

The City has entered into a "Lease and Operating Agreement" with Mesquite Medical Associates for a period of five years in which the City leases the building to Mesquite Medical Associates for \$1 per year and Mesquite Medical Associates in return agrees to operate the medical facility.

Construction Contracts

The City is involved with several significant construction contracts with NDOT and USFWS and NRCS that will continue from fiscal year 2006 through subsequent fiscal years.

NOTE 15. Deferred Compensation Plan

Mesquite City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

None of the amounts of compensation deferred under the plan, none of the property and rights purchased with those amounts, and none of the income attributable to those amounts, property or rights are the property of the City, subject to the claims of the city's general creditors.

NOTE 16. Contingencies

The City is involved in various matters of litigation. Although the outcome of the litigation is not presently determinable, it is the opinion of City officials that none of the cases should have a material adverse affect on the City's financial condition.

MAJOR GOVERNMENTAL AND PROPRIETARY FUNDS

BUDGET-TO-ACTUAL

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Debt service funds** are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

The **General Capital Projects Fund** accounts for the resources accumulated and payments made for construction and expansion of any City projects not accounted for in any other capital projects fund.

The **Redevelopment District Fund** is used to account for the resources accumulated and payments made for costs incurred on City redevelopment projects.

The **Sewer Utility Fund** accounts for the activities related to the City's sewer treatment operations.

CITY OF MESQUITE, NEVADA
General Fund
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)			
Museum:			
Salaries	21,421	22,200	(779)
Employee benefits	3,753	3,016	737
Services, supplies and other	4,400	8,355	(3,955)
Capital outlay	13,200	300	12,900
	<u>42,774</u>	<u>33,871</u>	<u>8,903</u>
Total culture and recreation	<u>1,535,646</u>	<u>1,394,760</u>	<u>140,886</u>
Community Support			
Community Support:			
Mesquite Arts Council	36,500	38,610	(2,110)
Events advisory committee	43,200	41,023	2,177
Other	-	-	-
Close-up Program	-	-	-
Capital outlay	-	-	-
	<u>79,700</u>	<u>79,633</u>	<u>67</u>
Special appropriations:			
Services, supplies and other	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Economic development:			
Services, supplies and other	138,059	89,889	48,170
Capital outlay	30,000	2,752	27,248
	<u>168,059</u>	<u>92,641</u>	<u>75,418</u>
Total community support	<u>247,759</u>	<u>172,274</u>	<u>75,485</u>
Contingencies	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Debt Service			
Capital lease payments - principal	-	-	-
Capital lease payments - interest	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>15,643,222</u>	<u>13,725,586</u>	<u>1,917,636</u>
Excess of revenues over expenditures	<u>3,143,951</u>	<u>6,463,127</u>	<u>3,319,176</u>
			(continued)

CITY OF MESQUITE, NEVADA
General Fund
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	-
Transfer from special revenue fund	511,530	509,713	(1,817)
Transfer from debt service fund	-	48,407	48,407
Transfer to environmental planning fund	-	(1,915)	(1,915)
Transfer to court admin assessments fund	(20,000)	(20,000)	-
Transfer to airport fund	(190,000)	(190,000)	-
Transfer to senior nutrition fund	(65,000)	(65,000)	-
Transfer to redevelopment fund	(500,000)	(500,000)	-
Transfer to capital projects fund	(4,045,000)	(4,045,000)	-
Transfer to debt service fund	(825,650)	(825,650)	-
Transfer to vehicle replacement fund	(1,900,718)	(1,787,728)	112,990
Total Other Financing Sources (Uses)	(7,034,838)	(6,877,173)	157,665
Net change in fund balance	(3,890,887)	(414,046)	3,476,841
Fund balance, beginning of year	6,163,936	6,163,936	-
Fund balance, end of year	\$ 2,273,049	\$ 5,749,890	\$ 3,476,841

CITY OF MESQUITE, NEVADA
Debt Service Funds
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Special assessments, principal	\$ 122,499	\$ 122,500	\$ 1
Special assessments, interest	308,171	321,190	13,019
Other revenues	-	1,938	1,938
Interest earnings	5,000	71,215	66,215
Total Revenues	435,670	516,843	81,173
Expenditures			
Salaries, wages and benefits	-	16,629	(16,629)
Service, supplies and other	-	5,601	(5,601)
Fiscal agent and professional fees	289,679	232,567	57,112
Debt service:			
Principal, SID's	-	-	-
Principal, G.O. Bond, Series 2002	200,000	200,000	-
Principal, G.O. Bond, Series 2005	366,600	367,000	(400)
Principal, waste facility	16,612	27,806	(11,194)
Principal, city hall	258,000	258,000	-
Interest, SID's	110,991	227,417	(116,426)
Interest, G.O. Bond, Series 2002	241,337	241,338	(1)
Interest, G.O. Bond, Series 2005	111,537	111,574	(37)
Interest, waste facility	58,283	47,089	11,194
Interest, city hall	49,757	48,168	1,589
Capital outlay	5,330,000	4,365,410	964,590
Total Expenditures	7,032,796	6,148,599	884,197
Excess of revenues over (under) expenditures	(6,597,126)	(5,631,756)	965,370
Other Financing Sources (Uses)			
Debt issued	5,500,000	5,500,000	-
Transfers (to) from:			
From redevelopment district	441,337	441,337	-
From general fund	825,650	825,650	-
To general fund	-	(48,407)	(48,407)
Net change in fund balance	169,861	1,086,824	916,963
Fund balance, beginning of year	411,703	411,703	-
Fund balance, end of year	\$ 581,564	\$ 1,498,527	\$ 916,963

CITY OF MESQUITE, NEVADA
General Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenue:			
State grants	\$ 815,000	\$ 646,525	\$ (168,475)
Other revenue:			
Land sales	5,500,000	1,100,554	(4,399,446)
Miscellaneous revenue	979,475	1,035,394	55,919
Total Revenues	<u>7,294,475</u>	<u>2,782,473</u>	<u>(4,512,002)</u>
Expenditures			
Cost of land sales	20,000	40,718	(20,718)
Capital outlay	<u>17,885,910</u>	<u>4,812,973</u>	<u>13,072,937</u>
Total Expenditures	<u>17,905,910</u>	<u>4,853,691</u>	<u>13,052,219</u>
Excess of revenues over (under) expenditures	<u>(10,611,435)</u>	<u>(2,071,218)</u>	<u>(17,564,221)</u>
Other Financing Sources (Uses)			
Loan proceeds	2,500,000	-	(2,500,000)
Transfer from general fund	<u>4,045,000</u>	<u>4,045,000</u>	<u>-</u>
Total other financing sources (uses)	<u>6,545,000</u>	<u>4,045,000</u>	<u>(2,500,000)</u>
Net change in fund balance	(4,066,435)	1,973,782	6,040,217
Fund balance, beginning of year	<u>4,158,207</u>	<u>4,158,207</u>	<u>-</u>
Fund balance, end of year	<u>\$ 91,772</u>	<u>\$ 6,131,989</u>	<u>\$ 6,040,217</u>

CITY OF MESQUITE, NEVADA
Redevelopment District Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,924,158	\$ 2,040,345	\$ 116,187
Intergovernmental revenue	8,100,000	6,739,218	(1,360,782)
Donations and other revenue	-	10,000	10,000
Interest earnings	10,000	111,846	101,846
Total Revenues	10,034,158	8,901,409	(1,132,749)
Expenditures			
Salaries	104,899	144,613	(39,714)
Employee benefits	37,125	49,655	(12,530)
Services, supplies and other	399,026	128,054	270,972
Capital outlay	14,018,313	9,795,118	4,223,195
Total Expenditures	14,559,363	10,117,440	4,441,923
Excess of revenues over (under) expenditures	(4,525,205)	(1,216,031)	3,309,174
Other Financing Sources (Uses)			
Transfer to the debt service fund	(931,867)	(931,867)	-
Transfer from the general fund	500,000	500,000	-
Total other financing sources(uses)	(431,867)	(431,867)	-
Net change in fund balance	(4,957,072)	(1,647,898)	3,309,174
Fund balance, beginning of year	5,863,565	5,863,565	-
Fund balance, end of year	\$ 906,493	\$ 4,215,667	\$ 3,309,174

CITY OF MESQUITE, NEVADA
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Service fees	\$ 1,348,171	\$ 1,424,475	\$ 76,304
Other revenues	127,787	115,309	(12,478)
Total operating revenues	1,475,958	1,539,784	63,826
Operating expenses			
Salaries	418,873	406,899	11,974
Employee benefits	168,413	154,446	13,967
Service, supplies and other	630,343	572,524	57,819
Capital outlay	11,096,953	4,316	11,092,637
Depreciation	640,000	625,771	14,229
Total operating expenses	12,954,582	1,763,956	11,190,626
Operating income (loss)	(11,478,624)	(224,172)	11,254,452
Nonoperating revenues (expenses)			
Connection fee revenue	800,000	1,218,458	418,458
Interest income	25,000	186,378	161,378
Sales tax revenue	375,000	404,552	29,552
Grant revenue	7,387,500	101,862	(7,285,638)
Loss on disposal of fixed assets	-	-	-
Interest expense	(281,748)	(225,627)	56,121
Total nonoperating revenues (expenses)	8,305,752	1,685,623	(6,620,129)
Income (loss) before contributions and transfers	(3,172,872)	1,461,451	4,634,323
Capital contributions	-	2,461,733	2,461,733
Change in net assets	(3,172,872)	3,923,184	7,096,056
Total net assets, beginning of year	19,475,563	19,475,563	-
Total net assets, end of year	\$ 16,302,691	\$ 23,398,747	\$ 7,096,056

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NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Street Maintenance / Repairs Fund - This fund is used to account for funds set aside for the maintaining, repairing, and upgrading of streets

Airport Fund - This fund is used to account for revenues and expenditures associated with the operation/maintenance of the airport.

Capital Project Maintenance and Repair Fund - This fund is used to account for funds set aside, as required by NRS 354.6105 in the amount of .5% of bond proceeds, for extraordinary repairs and maintenance.

Police Forfeiture Fund - This fund is used to account for the proceeds from forfeitures of property and money and special grants from the city to be used by the Police Department.

Court Administrative Assessment - This fund is used to account for the proceeds from Court Administrative Assessments and associated judicial department expenditures.

Mesquite Senior Nutrition Fund - This fund is used to account for Federal Grants and program income used to provide senior meals.

Recreation Programs Fund - This fund is used to account for activities of various recreation programs which are essentially self-supporting. It is expected that program fees will cover the costs of the programs.

Medical Services Fund - This fund is used to account for expenditures related to the provision of medical services in Mesquite. Revenues are comprised of a grant from Clark County and a property tax transfer from the General Fund. Debt service payments are the primary expenditure.

Forensic Services Fund - This fund is used to account for fees assessed by the court for chemical analysis pursuant to NRS 453.575 and 484.3798. Any balances in the fund are transferred to the General Fund.

Environmental Planning Fund - This fund is used to account for funds set aside for environmental planning and related projects.

More Cops Fund - This fund is used to account for sales taxes collected for the purpose of increasing staffing of police officers.

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Residential Construction Tax Special Fund - This fund is used to account for Park Improvements and facilities from which the tax is collected.

Transportation Impact Fee Fund - This fund is used to account for transportation impact fees and associated capital outlay required for road-related growth and development.

Vehicle Replacement Fund - This fund is used to account for the accumulation of funds which are to be used towards the purchase of automobiles.

CITY OF MESQUITE, NEVADA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue							
	Street Maintenance	Airport	Capital Project Maintenance & Repair	Police Forfeiture	Court Admin. Assessment	Senior Nutrition Program	Recreation Programs	Medical Services
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,512	\$ 9,772
Receivables:								
Property taxes	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-	-
Other	-	86,963	-	-	-	-	-	-
Due from other governments	245,274	40,105	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Inventories	-	18,472	-	-	-	-	-	-
Restricted cash and cash equivalents	720,766	177,427	25,877	21,953	60,064	124,727	-	-
Total assets	\$ 966,040	\$ 322,967	\$ 25,877	\$ 21,953	\$ 60,064	\$ 124,727	\$ 41,512	\$ 9,772
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ 89,041	\$ 923	\$ -	\$ 12,661	\$ 11,483	\$ 10,565	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	2,000	-	-
Total liabilities	-	89,041	923	-	12,661	13,483	10,565	-
Fund Balances:								
Reserved for:								
Encumbrances	59,119	233,926	-	-	27,403	7,616	8,225	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	906,921	-	24,954	-	-	-	-	-
Other	-	-	-	21,953	20,000	-	-	-
Unreserved:								
Designated	-	-	-	-	-	30,650	-	3,500
Undesignated	-	-	-	-	-	72,978	22,722	6,272
Total fund balances	966,040	233,926	24,954	21,953	47,403	111,244	30,947	9,772
Total liabilities and fund balance	\$ 966,040	\$ 322,967	\$ 25,877	\$ 21,953	\$ 60,064	\$ 124,727	\$ 41,512	\$ 9,772

				Capital Projects					
Forensic Services	Environmental Planning	More Cops	Total	Residential Construction Tax Special Fund	Transportation Impact Fee Fund	Vehicle Replacement Fund	Total	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ 233,012	\$ 284,249	\$ -	\$ -	\$ 2,227,341	\$ 2,227,341	\$ 2,511,590	
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	86,963	-	-	-	-	86,963	
-	391,949	209,566	886,894	394,770	-	-	394,770	1,281,664	
-	1,915	-	1,915	-	-	-	-	1,915	
-	-	-	18,472	-	-	-	-	18,472	
-	-	-	1,130,814	1,600,341	1,686,517	-	3,286,858	4,417,672	
<u>\$ -</u>	<u>\$ 393,864</u>	<u>\$ 442,578</u>	<u>\$ 2,409,307</u>	<u>\$ 1,995,111</u>	<u>\$ 1,686,517</u>	<u>\$ 2,227,341</u>	<u>\$ 5,908,969</u>	<u>\$ 8,318,276</u>	
\$ -	\$ 135,390	\$ 5,787	\$ 265,850	\$ 99,055	\$ 6,391	\$ 31,836	\$ 137,282	\$ 403,132	
-	-	-	-	-	-	-	-	-	-
-	258,474	-	258,474	-	-	-	-	258,474	
-	-	-	2,000	-	-	-	-	2,000	
<u>-</u>	<u>393,864</u>	<u>5,787</u>	<u>526,324</u>	<u>99,055</u>	<u>6,391</u>	<u>31,836</u>	<u>137,282</u>	<u>663,606</u>	
-	-	14,517	350,806	146,407	-	625,220	771,627	1,122,433	
-	-	-	-	-	-	-	-	-	-
-	-	-	931,875	1,828,432	1,025,155	-	2,853,587	3,785,462	
-	-	-	41,953	(78,783)	654,971	-	576,188	618,141	
-	-	-	-	-	-	-	-	-	-
-	-	422,274	456,436	-	-	-	-	456,436	
-	-	-	101,913	-	-	1,570,285	1,570,285	1,672,198	
-	-	436,791	1,882,983	1,896,056	1,680,126	2,195,505	5,771,687	7,654,670	
<u>\$ -</u>	<u>\$ 393,864</u>	<u>\$ 442,578</u>	<u>\$ 2,409,307</u>	<u>\$ 1,995,111</u>	<u>\$ 1,686,517</u>	<u>\$ 2,227,341</u>	<u>\$ 5,908,969</u>	<u>\$ 8,318,276</u>	

CITY OF MESQUITE, NEVADA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year End June 30, 2006

	Special Revenue							
	Street Maintenance	Airport	Capital Project Maintenance & Repair	Police Forfeiture	Court Admin. Assessment	Senior Nutrition Program	Recreation Programs	Medical Services
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	-
Intergovernmental revenue	764,452	357,655	-	-	-	147,938	-	200,000
Charges for services	-	471,770	-	-	-	72,857	165,214	60,000
Fines and forfeitures	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	-
Investment earnings	-	-	991	-	-	-	500	-
Other revenues	-	-	-	-	-	10,924	-	-
Total revenues	764,452	829,425	991	-	-	231,719	165,714	260,000
Expenditures								
Current:								
General government	-	391,103	15,532	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	1,770	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-	-
Welfare	-	-	-	-	-	263,109	-	163
Culture and recreation	-	-	-	-	-	-	141,639	-
Community support and development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	216,000
Interest	-	-	-	-	-	-	-	43,707
Capital outlay	373,135	389,354	-	-	-	-	4,137	-
Total expenditures	373,135	780,457	15,532	-	1,770	263,109	145,776	259,870
Excess (deficiency) of revenues over (under) expenditures	391,317	48,968	(14,541)	-	(1,770)	(31,390)	19,938	130
Other Financing Sources (Uses)								
Operating transfers in	-	190,000	-	-	20,000	65,000	-	-
Operating transfers out	-	-	-	-	-	-	(15,000)	-
Total other financing sources and uses	-	190,000	-	-	20,000	65,000	(15,000)	-
Net change in fund balances	391,317	238,968	(14,541)	-	18,230	33,610	4,938	130
Fund balances, beginning of year	574,723	(5,042)	39,495	21,953	29,173	77,634	26,009	9,595
Fund balances, end of year	\$ 966,040	\$ 233,926	\$ 24,954	\$ 21,953	\$ 47,403	\$ 111,244	\$ 30,947	\$ 9,725

				Capital Projects				Total Nonmajor Governmental Funds
Forensic Services	Environmental Planning	More Cops	Total	Residential Construction Tax Special Fund	Transportation Impact Fee Fund	Vehicle Replacement Fund	Total	
\$ -	\$ -	\$ 612,102	\$ 612,102	\$ 695,438	\$ -	\$ -	\$ 695,438	\$ 1,307,540
-	-	-	-	-	337,071	-	337,071	337,071
-	1,030,980	-	2,501,025	394,770	654,971	-	1,049,741	3,550,766
-	-	-	769,841	-	-	-	-	769,841
4,147	-	-	4,147	-	-	-	-	4,147
-	-	-	-	-	-	-	-	-
-	-	3,632	5,123	51,765	42,044	-	93,809	98,932
-	-	-	10,924	-	-	-	-	10,924
4,147	1,030,980	615,734	3,903,162	1,141,973	1,034,086	-	2,176,059	6,079,221
-	-	-	406,635	-	50,780	-	50,780	457,415
-	-	42,175	42,175	-	-	-	-	42,175
-	-	-	1,770	-	-	-	-	1,770
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	263,272	-	-	-	-	263,272
-	-	-	141,639	-	-	-	-	141,639
-	1,016,361	-	1,016,361	-	-	-	-	1,016,361
-	-	-	216,000	-	-	-	-	216,000
-	-	-	43,707	-	-	-	-	43,707
-	16,534	136,768	919,928	583,815	144,779	327,177	1,055,771	1,975,699
-	1,032,895	178,943	3,051,487	583,815	195,559	327,177	1,106,551	4,158,038
4,147	(1,915)	436,791	851,675	558,158	838,527	(327,177)	1,069,508	1,921,183
-	1,915	-	276,915	-	-	1,787,728	1,787,728	2,064,643
(4,183)	-	-	(19,183)	-	-	-	-	(19,183)
(4,183)	1,915	-	257,732	-	-	1,787,728	1,787,728	2,045,460
(36)	-	436,791	1,109,407	558,158	838,527	1,460,551	2,857,236	3,966,643
36	-	-	773,576	1,337,898	841,599	734,954	2,914,451	3,688,027
\$ -	\$ -	\$ 436,791	\$ 1,882,983	\$ 1,896,056	\$ 1,680,126	\$ 2,195,505	\$ 5,771,687	\$ 7,654,670

NONMAJOR INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF MESQUITE, NEVADA
Street Maintenance Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental Revenue:			
Gas Tax	\$ 230,000	\$ 232,267	\$ 2,267
Right of Way Fees	350,000	431,545	81,545
Grant revenue	322,340	100,640	(221,700)
Total Revenues	902,340	764,452	(137,888)
Expenditures			
Capital outlay	1,339,825	373,135	966,690
Total Expenditures	1,339,825	373,135	966,690
Excess of revenues over (under) expenditures	(437,485)	391,317	(1,104,578)
Other Financing Sources (Uses)			
Operating transfers in:			
From general fund	-	-	-
Net change in fund balance	(437,485)	391,317	828,802
Fund balance, beginning of year	574,723	574,723	-
Fund balance, end of year	\$ 137,238	\$ 966,040	\$ 828,802

CITY OF MESQUITE, NEVADA
Airport Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental Revenue:			
FAA Grant	\$ 980,000	\$ 357,655	\$ (622,345)
Charges for Services	<u>361,200</u>	<u>471,770</u>	<u>110,570</u>
Total Revenues	<u>1,341,200</u>	<u>829,425</u>	<u>(511,775)</u>
Expenditures			
Service, supplies and other	315,038	391,103	(76,065)
Capital outlay	<u>1,297,490</u>	<u>389,354</u>	<u>908,136</u>
Total Expenditures	<u>1,612,528</u>	<u>780,457</u>	<u>832,071</u>
Excess of revenues over (under) expenditures	(271,328)	48,968	(1,343,846)
Other Financing Sources (Uses)			
Operating transfers in:			
From general fund	<u>190,000</u>	<u>190,000</u>	<u>-</u>
Net change in fund balance	(81,328)	238,968	(1,343,846)
Fund balance, beginning of year	<u>(5,042)</u>	<u>(5,042)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (86,370)</u></u>	<u><u>\$ 233,926</u></u>	<u><u>\$ 320,296</u></u>

CITY OF MESQUITE, NEVADA
Capital Project Maintenance/Repairs Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Investment earnings:			
Interest earnings	\$ 650	\$ 991	\$ 341
Expenditures			
Service, supplies and other	26,500	15,532	10,968
Excess of revenue and other sources over (under) expenditures	(25,850)	(14,541)	11,309
Other Financing Sources (Uses)			
Operating transfers in:			
From capital projects fund	-	-	-
Net change in fund balance	(25,850)	(14,541)	11,309
Fund balance, beginning of year	39,495	39,495	-
Fund balance, end of year	<u>\$ 13,645</u>	<u>\$ 24,954</u>	<u>\$ 11,309</u>

CITY OF MESQUITE, NEVADA
Police Forfeiture Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Fines and forfeitures:			
Police seizure	\$ 6,000	\$ -	\$ (6,000)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Expenditures			
Services, supplies and other	3,000	-	3,000
Capital outlay	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Expenditures	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>21,953</u>	<u>21,953</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 21,953</u></u>	<u><u>\$ 21,953</u></u>	<u><u>\$ -</u></u>

CITY OF MESQUITE, NEVADA
 Court Administrative Assessment Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Fines and forfeitures:			
Administrative assessments	\$ 25,000	\$ -	\$ (25,000)
Expenditures			
Judicial:			
Services, supplies and other	17,300	1,071	16,229
Capital outlay	56,150	699	55,451
Total Expenditures	73,450	1,770	71,680
Excess of revenues over (under) expenditures	(48,450)	(1,770)	(96,680)
Other Financing Sources (Uses)			
Operating transfers in:			
From general fund	20,000	20,000	-
Net change in fund balance	(28,450)	18,230	(96,680)
Fund balance, beginning of year	29,173	29,173	-
Fund balance, end of year	<u>\$ 723</u>	<u>\$ 47,403</u>	<u>\$ 46,680</u>

CITY OF MESQUITE, NEVADA
Senior Nutrition Program Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenues:			
State of Nevada transportation grant	\$ -	\$ 623	\$ 623
United States Department of Health and Human Services Title III, all programs	108,000	125,776	17,776
United States Department of Agriculture food distribution programs	19,000	21,539	2,539
Equipment Grant	-	-	-
Total intergovernmental revenue	127,000	147,938	20,938
Charges for services:			
Project income	75,000	72,857	(2,143)
Transportation	-	-	-
Other income	5,000	10,924	5,924
Total charges for services	80,000	83,781	3,781
Total Revenues	207,000	231,719	24,719
Expenditures			
Salaries	105,945	102,141	3,804
Employee benefits	59,760	53,430	6,330
Services, supplies and other	127,517	107,538	19,979
Capital outlay	17,467	-	17,467
Total Expenditures	310,689	263,109	47,580
Excess of revenues over (under) expenditures	(103,689)	(31,390)	72,299
Other Financing Sources (Uses)			
Operating transfers in:			
From general fund	65,000	65,000	-
Net change in fund balance	(38,689)	33,610	72,299
Fund balance, beginning of year	77,634	77,634	-
Fund balance, end of year	\$ 38,945	\$ 111,244	\$ 72,299

CITY OF MESQUITE, NEVADA
Recreation Programs Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for services:			
Recreation charges	\$ 145,000	\$ 165,214	\$ 20,214
Other revenue	-	500	500
	<u>145,000</u>	<u>165,714</u>	<u>20,714</u>
Total Revenues			
	<u>145,000</u>	<u>165,714</u>	<u>20,714</u>
Expenditures			
Salaries	43,000	50,750	(7,750)
Employee benefits	4,666	5,198	(532)
Services, supplies and other	93,989	85,691	8,298
Capital outlay	10,000	4,137	5,863
	<u>151,655</u>	<u>145,776</u>	<u>5,879</u>
Total Expenditures			
	<u>151,655</u>	<u>145,776</u>	<u>5,879</u>
Excess of revenues over (under) expenditures	(6,655)	19,938	26,593
Other Financing Sources (Uses)			
Operating transfers out:			
To general fund	(15,000)	(15,000)	-
	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(21,655)	4,938	26,593
Fund balance, beginning of year	26,009	26,009	-
	<u>26,009</u>	<u>26,009</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,354</u>	<u>\$ 30,947</u>	<u>\$ 26,593</u>

CITY OF MESQUITE, NEVADA
 Medical Services Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental Revenue:			
County Grant	\$ 200,000	\$ 200,000	\$ -
Medical Center Lease	<u>60,000</u>	<u>60,000</u>	<u>-</u>
	260,000	260,000	-
Expenditures			
Service and Supplies	12,000	163	11,837
Debt Payments-Principal	216,000	216,000	-
Debt Payments-Interest	<u>43,707</u>	<u>43,707</u>	<u>-</u>
Total Expenditures	<u>271,707</u>	<u>259,870</u>	<u>11,837</u>
Excess of revenues over (under) expenditures	(11,707)	130	(11,837)
Other Financing Sources (Uses)			
Operating transfers to:			
To general fund	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(11,707)	130	11,837
Fund balance, beginning of year	<u>9,595</u>	<u>9,595</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (2,112)</u></u>	<u><u>\$ 9,725</u></u>	<u><u>\$ 11,837</u></u>

CITY OF MESQUITE, NEVADA
Forensic Services Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Fines and forfeitures:			
Analysis fees	\$ 6,000	\$ 4,147	\$ (1,853)
Expenditures			
Services, supplies and other	-	-	-
Excess of revenues over (under) expenditures	6,000	4,147	(1,853)
Other Financing Sources (Uses)			
Operating transfers out:			
To general fund	(6,000)	(4,183)	1,817
Net change in fund balance	-	(36)	(36)
Fund balance, beginning of year	36	36	-
Fund balance, end of year	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ (36)</u>

CITY OF MESQUITE, NEVADA
Environmental Planning Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental Revenue:			
Fish & Wildlife Grant	\$ 1,050,000	\$ 1,030,980	\$ (19,020)
Interest Income	-	-	-
Total Revenue	1,050,000	1,030,980	(19,020)
Expenditures			
Salaries	77,314	81,027	(3,713)
Employee benefits	30,331	26,265	4,066
Services, supplies and other	30,000	112,862	(82,862)
Contracted services	1,017,844	796,207	221,637
Capital outlay	51,251	16,534	34,717
Total Expenditures	1,206,740	1,032,895	173,845
Excess of revenues over (under) expenditures	(156,740)	(1,915)	154,825
Other Financing Sources (Uses)			
Operating transfers:			
From General Fund	-	1,915	1,915
Total Transfers	-	1,915	1,915
Net change in fund balance	(156,740)	-	156,740
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ (156,740)	\$ -	\$ 156,740

CITY OF MESQUITE, NEVADA
More Cops Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
1/4% Sales Tax	\$ 600,000	\$ 612,102	\$ 12,102
Interest Income	-	3,632	3,632
Total Revenue	600,000	615,734	15,734
Expenditures			
Salaries	202,488	17,342	185,146
Employee benefits	128,676	11,143	117,533
Services, supplies and other	78,375	13,690	64,685
Contracted services	-	-	-
Capital outlay	164,250	136,768	27,482
Total Expenditures	573,789	178,943	394,846
Excess of revenues over (under) expenditures	26,211	436,791	410,580
Net change in fund balance	26,211	436,791	410,580
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ 26,211	\$ 436,791	\$ 410,580

CITY OF MESQUITE, NEVADA
Residential Construction Tax Park Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Residential construction tax	\$ 475,000	\$ 695,438	\$ 220,438
Intergovernmental revenue	394,770	394,770	-
Interest earnings	10,000	51,765	41,765
Total Revenues	879,770	1,141,973	262,203
Expenditures			
Capital outlay	1,186,508	583,815	602,693
Net change in fund balance	(306,738)	558,158	864,896
Fund balance, beginning of year	1,337,898	1,337,898	-
Fund balance, end of year	\$ 1,031,160	\$ 1,896,056	\$ 864,896

CITY OF MESQUITE, NEVADA
Transportation Impact Fee Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Transportation impact fees	\$ 200,000	\$ 337,071	\$ 137,071
Intergovernmental revenue	-	654,971	654,971
Interest earnings	<u>5,000</u>	<u>42,044</u>	<u>37,044</u>
Total Revenues	<u>205,000</u>	<u>1,034,086</u>	<u>829,086</u>
Expenditures			
Administrative	44,580	50,780	(6,200)
Land purchases	-	-	-
Capital outlay	<u>1,046,296</u>	<u>144,779</u>	<u>901,517</u>
Total Expenditures	<u>1,090,876</u>	<u>195,559</u>	<u>895,317</u>
Excess of revenues over (under) expenditures	(885,876)	838,527	1,724,403
Other Financing Sources (Uses)			
Transfer from/(to) the general fund	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(885,876)	838,527	1,724,403
Fund balance, beginning of year	<u>841,599</u>	<u>841,599</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (44,277)</u></u>	<u><u>\$ 1,680,126</u></u>	<u><u>\$ 1,724,403</u></u>

CITY OF MESQUITE, NEVADA
Vehicle Replacement Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenue:			
State grants	\$ -	\$ -	\$ -
Total Revenues	-	-	-
Expenditures			
Capital outlay	972,780	327,177	645,603
Excess of revenues over (under) expenditures	(972,780)	(327,177)	645,603
Other Financing Sources (Uses)			
Transfers In	1,900,718	1,787,728	(112,990)
Total other financing sources (uses)	1,900,718	1,787,728	(112,990)
Net change in fund balance	927,938	1,460,551	532,613
Fund balance, beginning of year	734,954	734,954	-
Fund balance, end of year	<u>\$ 1,662,892</u>	<u>\$ 2,195,505</u>	<u>\$ 532,613</u>

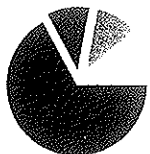
**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

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CITY OF MESQUITE, NEVADA
Capital Assets Used in the Operation of Governmental Funds
By Sources
For the Year Ended June 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
General Fixed Assets				
Land	\$ 7,566,239	\$ 393,248	\$ 92,239	\$ 7,867,248
Buildings and improvements	31,620,811	1,816,625	-	33,437,436
Equipment	8,382,510	1,038,196	109,600	9,311,106
Storm drains and inlets	3,143,842	-	-	3,143,842
Streets and sidewalks	24,281,089	787,845	-	25,068,934
Construction-in-progress	<u>5,480,991</u>	<u>18,680,917</u>	<u>1,386,409</u>	<u>22,775,499</u>
	<u><u>\$ 80,475,482</u></u>	<u><u>\$ 22,716,831</u></u>	<u><u>\$ 1,588,248</u></u>	<u><u>\$ 101,604,065</u></u>
Investment in General Fixed Assets From				
General city revenues, grants, and bonds	\$ 79,917,782	\$ 22,716,831	\$ 1,588,248	\$ 101,046,365
Contributions from incorporation	<u>557,700</u>	<u>-</u>	<u>-</u>	<u>557,700</u>
	<u><u>\$ 80,475,482</u></u>	<u><u>\$ 22,716,831</u></u>	<u><u>\$ 1,588,248</u></u>	<u><u>\$ 101,604,065</u></u>

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
City Council
Mesquite, Nevada

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the basic financial statements of the City of Mesquite, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mesquite's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Mesquite in a separate letter dated December 7, 2006.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Mesquite's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Mesquite in a separate letter dated December 7, 2006.

This report is intended solely for the information of the mayor, audit committee, management, and various federal and state agencies, and is not intended to be an should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Hinton Burdick, Hall & Spilker P.L.L.C."

HINTON, BURDICK, HALL, & SPILKER, P.L.L.C.
December 7, 2006



**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
Mesquite, NV

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the basic financial statements of the City of Mesquite, for the year ended June 30, 2006, and have issued our report thereon dated December 7, 2006. Our audit also included test work on the City of Mesquite's compliance with selected requirements identified in the State of Nevada Revised Statutes (NRS) including, but not limited to, NRS section 354.624 and section 354.6241.

The management of the City of Mesquite is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit and make specific statements regarding funds established and the status of prior year findings and recommendations; accordingly, we make the following statements:

During the current fiscal year, the City of Mesquite has taken steps to act upon recommendations made in the prior year. The findings issued in the prior year have been resolved.

The City of Mesquite has established several funds in accordance with NRS 354.624 as follows:

Enterprise Funds:

Sewer Utility Fund

Funds whose balance is required to be used only for a specific purpose or carried forward to the succeeding fiscal year in any designated amount:

Special Revenue Funds:

Senior Nutrition Fund

Street Maintenance Fund

Airport Fund

Capital Projects Maintenance and Repair Fund

Police Forfeiture Fund

Court Administrative Assessment Fund

Recreation Programs

Medical Services Fund

Forensic Services Fund

Environmental Planning Fund

More Cops Fund

Debt Service Fund

Capital Projects Funds:

General Capital Projects Fund

Residential Construction Tax Park Fund

Transportation Impact Fee Fund

Redevelopment District Fund

Vehicle Replacement Fund

The City of Mesquite appears to be using the above listed funds expressly for the purposes for which they were created and in accordance with NRS 354.624. The funds are being administered in accordance with Generally Accepted Accounting Principles and the reserves, as applicable, appear reasonable and necessary to carry out the purposes of the funds. Sources of revenues available and fund balances and retained earnings are reflected in the individual fund financial statements.

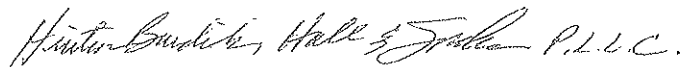
The statutory and regulatory requirements of the funds are as follows:

Enterprise Fund:	City Code Title 3, Chapter 3.
Senior Nutrition:	U.S. Dept. of Health & Human Services, Title III.
Capital Projects Maintenance and Repair:	NRS 354.6105.
Police Forfeiture:	Council's intended purpose.
Court Administrative Assessment:	NRS 176.059.
Recreation Programs	Resolution #209
Medical Services	Resolution #210
Forensic Services	NRS 453.575 and 484.3798
Debt Service:	Bond Ordinances.
General Capital Projects:	City Budget.
Residential Construction:	City Code Title 7, Chapter 4.
Transportation Impact Fee:	City Ordinance #208.
Redevelopment:	City Ordinance #138.
Environmental Planning	Resolution #349
More Cops	Resolution #394
Vehicle Replacement	Resolution #350

NRS 354.624 requires that a schedule of all fees imposed by the City which were subject to the provisions of NRS 354.5989. Because the City has not increased any fees subject to the limitations provided by NRS 354.5989, the schedule is not applicable.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Mesquite complied, in all material respects, with the requirements identified above for the year ended June 30, 2006.



HINTON, BURDICK, HALL, & SPILKER, P.L.L.C.
December 7, 2006